

Message Text

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ORIGIN EB-05

INFO OCT-01 ISO-00 EUR-25 CAB-09 CIAE-00 COME-00 DODE-00

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FM SECSTATE WASHDC

TO AMEMBASSY ANKARA

AMEMBASSY ATHENS PRIORITY

AMEMBASSY BERN PRIORITY

AMEMBASSY BONN PRIORITY

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AMEMBASSY REYKJAVIK PRIORITY

AMEMBASSY ROME PRIORITY

AMEMBASSY STOCKHOLM PRIORITY

AMEMBASSY THE HAGUE PRIORITY

AMEMBASSY VIENNA PRIORITY

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TAGS: ETRN, XG

SUBJECT: CAB ISSUES POLICY STATEMENTS

REF : (A) STATE 175687 (B) STATE 173083

1. CAB SEPT. 7 ISSUED TWO STATEMENTS ON NORTH ATLANTIC FARES MENTIONED PARA 3 REFTTEL (A). INFORMATION BELOW DESCRIBING STATEMENTS SHOULD BE PROVIDED TO HOST GOVERNMENT AUTHORITIES. COPIES OF STATEMENTS BEING POUCHED.

2. THE STATEMENTS CONCERN A GENERAL POLICY ON PASSENGER CHARTER RATES AND A STATEMENT ON NORTH ATLANTIC FARES. THE FORMER IS TENTATIVE AND THE LATTER IS FINAL.

3. THE CAB ISSUED A NOTICE OF PROPOSED RULE MAKING ON A STATEMENT OF GENERAL POLICY ON RATES FOR CHARTER SERVICES BETWEEN THE UNITED STATES AND EUROPE. ANY INTERESTED PERSON MAY PARTICIPATE IN THE RULE MAKING AND COMMENT ON THE COMMENTS OF OTHER PARTICIPANTS. THE NOTICE OBSERVES THE INTENSE AND DESTRUCTIVE COMPETITION IN CHARTER RATES. IT NOTES THAT THE EVER-INCREASING COMPETITION BETWEEN CHARTER AND SCHEDULED SERVICES HAS LED TO ESTABLISHMENT OF LOW FARES FOR SCHEDULED SERVICES WITH A DEPRESSING EFFECT ON CARRIER EARNINGS. IT STATES A BELIEF THAT THE INTERESTS OF THE TRAVELING PUBLIC IN GOOD AIR SERVICE ARE NOT WELL SERVED BY PERPETUATION OF THESE FARE AND RATE STRUCTURES. THE CAB EXPRESSES THE INTENTION TO SUSPEND AND INVESTIGATE CHARTER RATES WHICH APPEAR UNECONOMIC. IT STATES THE POLICY FOR SUCH AS FOLLOWS:

"IT IS THE POLICY OF THE CIVIL AERONAUTICS BOARD TO REGARD AS PRIMA FACIE UNREASONABLE, FOR CHARTER SERVICES BETWEEN THE UNITED STATES AND EUROPE, CHARTER TARIFF RATES BELOW THE RATES PER SEAT-MILE SHOWN BELOW. SUCH RATES, ABSENT A COMPELLING JUSTIFICATION, WILL BE SUBJECT TO INVESTIGATION AND SUSPENSION.

"(A) FOR WEEKDAY CHARTERS:

EASTBOUND - ORIGINATIONS SUNDAY THROUGH
THURSDAY - 2.2 CENTS PER SEAT MILE
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WESTBOUND - ORIGINATIONS MONDAY THROUGH FRIDAY -
2.2 CENTS PER SEAT MILE

(B) FOR WEEKEND CHARTERS:

EASTBOUND - ORIGINATIONS FRIDAY AND
SATURDAY - 2.4 CENTS PER SEAT MILE

WESTBOUND - ORIGINATIONS SATURDAY AND
SUNDAY - 2.4 CENTS PER SEAT MILE

(C) FOR ROUNDTRIP CHARTERS, THE MINIMUM RATE SHALL

BE THE SUM OF THE APPLICABLE DIRECTIONAL MINIMUMS DETERMINED IN ACCORDANCE WITH PARAGRAPHS (A) AND (B) ABOVE.

(D) THE MINIMUM RATES ESTABLISHED HEREIN SHALL APPLY TO SERVICES EQUIVALENT TO OR MORE DENSE THAN IATA ECONOMY CLASS SERVICE. FOR LESS DENSE CONFIGURATIONS, E.G. FIRST CLASS TYPE SERVICE, A REASONABLE SURCHARGE SHALL BE ADDED TO THE MINIMUM RATES COMPUTED IN ACCORDANCE WITH THE PROVISIONS OF THIS SECTION.

(E) EACH CHARTER TARIFF SHALL SPECIFY THE MAXIMUM NUMBER OF SEATS AVAILABLE FOR THE USE OF THE CHARTERER IN EACH CONFIGURATION FOR THE TYPE OF AIRCRAFT TO WHICH EACH RATE APPLIES.

(F) EACH TARIFF TRANSMITTAL SHALL SHOW THE RATE PER AVAILABLE SEAT-MILE AND THE BASIS FOR CALCULATION.

(G) THE MINIMUM RATES SET FORTH HEREIN SHALL BE APPLIED TO THE GREAT CIRCLE, NONSTOP, DISTANCE BETWEEN THE POINT OF ORIGIN OF THE CHARTER FLIGHT, VIA ANY INTERMEDIATE POINTS SERVED AT THE REQUEST OF THE CHARTERER, AND THE POINT OF TERMINATION OF THE CHARTER FLIGHT.

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(H) CONDITIONS OF SERVICE

(1) THE MINIMUM CHARTER RATES SET FORTH HEREIN SHALL INCLUDE, WITHOUT ADDITIONAL CHARGE, THE TRANSPORTATION OF A MAXIMUM OF 44 POUNDS OF BAGGAGE PER CHARTER PASSENGER.

(2) THE MINIMUM CHARTER RATES SET FORTH HEREIN SHALL NOT INCLUDE IN-FLIGHT ENTERTAINMENT OR LIQUOR SERVICE WHICH SHALL, IF PROVIDED, BE SUBJECT TO AN ADDITIONAL REASONABLE CHARGE TO BE SPECIFIED IN THE CARRIER'S TARIFF.

(I) EFFECTIVE DATE

(1) THESE RULES SHALL BE EFFECTIVE TO CHARTER SERVICES PERFORMED ON AND AFTER JANUARY 1, 1974.

(2) CHARTER CONTRACTS ENTERED INTO PRIOR TO THE

DATE OF THIS NOTICE SHALL NOT BE AFFECTED."

4. THE SECOND STATEMENT, UNLIKE THE TENTATIVE POLICY ON CHARTER RATES WHICH INVITES COMMENT, IS FINAL. IT COVERS NORTH ATLANTIC FARES ON SCHEDULED SERVICES. THE STATEMENT NOTES THE CAB HAS REPEATEDLY URGED CARRIERS SERVING NORTH ATLANTIC ROUTES TO DEVISE A FARE STRUCTURE MORE CLOSELY GEARED TO THE COSTS OF SERVICE WHICH WILL OFFER A SIMPLER, LESS COMPLEX AND THUS MORE EASILY ENFORCED STRUCTURE AND ONE THAT WILL MAXIMIZE REVENUES IN THIS PERIOD OF RISING COSTS. THE MIX OF PASSENGER TRAFFIC ON THE NORTH ATLANTIC HAS CHANGED DRAMATICALLY IN THE LAST TWO YEARS AND IT IS TIME CARRIERS RECOGNIZED THAT FINANCIAL AND OPERATING PROBLEMS HAVE NOT BEEN, AND WILL NOT BE, ALLEVIATED BY RELYING ON EFFORTS TO INCREASE TRAFFIC AT THE LOWEST FARE THE CONCEPT THAT IMPROVING LOAD FACTORS AT THE EXPENSE OF AN OVERALL REDUCTION IN YIELD WILL IMPROVE CARRIER PROFITS APPEARS HIGHLY QUESTIONABLE IN LIGHT OF PRESENT MARKET CONDITIONS. IT TAKES NOTE OF THE PROPOSED POLICY LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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STATEMENT ON CHARTER RATES AND URGES THE CARRIERS TO PUT A STOP TO EROSION IN YIELDS THROUGH LIMITATIONS ON ALLOWED CIRCUITRY AND LIMITATIONS AND CHARGES FOR STOP-OVERS. IT CONCLUDES THAT NOTWITHSTANDING THE CROSS CURRENTS OF COMPETITIVE PRICING OF SCHEDULED SERVICE VIS-A-VIS CHARTER SERVICE, THE BOARD WILL BE DISPOSED TO WITHHOLD APPROVAL OF ANY IATA AGREEMENT WHICH FURTHER RAISES NORMAL ECONOMY FARES; FAILS TO MATERIALLY INCREASE THE 22 TO 45 DAY EXCURSION FARE; AND FAILS TO ELIMINATE UNJUSTLY DISCRIMINATORY FARES. RUSH

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BERN
BONN
BRUSSELS
COPENHAGEN
DUBLIN

HELSINKI
LISBON
LONDON
LUXEMBOURG
MADRID
NICOSIA
OSLO
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PARIS
REYKJAVIK
ROME
STOCKHOLM
THE HAGUE
VIENNA

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